

MINUTES OF THE CC COMMUNICATIONS MANAGEMENT

155 N. Taylor St., Fallon, NV 89406
February 1, 2024

Call to Order:

The regular meeting of the CC Communications was called to order at 1:45 PM on February 1, 2024.

PRESENT: Commissioner Myles Getto
Commissioner Harry Scharmann
General Manager Mark Feest
Chief Financial Officer Jamie Hyde
Administrative Assistant Shelly Bunyard

ABSENT: Commissioner Justin Heath

Public Comment:

Chairman Myles Getto asked if there was any public comment but there was none.

Verification of Posting of Agenda:

It was verified by Shelly Bunyard, Administrative Assistant, that the Agenda for this meeting was posted on the 26th day of January, 2024 between the hours of 1 pm and 5 pm at all of the locations listed on the Agenda, in accordance with NRS 241.

Consideration and possible action re: Approval of Agenda as submitted or revised:

Commissioner Harry Scharmann made a motion to approve the Agenda as submitted. Commissioner Myles Getto seconded the motion, which carried by unanimous vote.

Consideration and possible action re: Approval of Minutes of the meeting held on:

A- November 2, 2023

The Minutes of the meeting held on November 2, 2023 are submitted for the board's consideration and approval.

Commissioner Harry Scharmann made a motion to approve the Minutes of the meeting held on November 2, 2023 as submitted. Commissioner Myles Getto seconded the motion, which carried by unanimous vote.

B- December 7, 2023

The Minutes of the meeting held on December 7, 2023 are submitted for the board's consideration and approval.

Commissioner Harry Scharmann made a motion to approve the Minutes of the meeting held on December 7, 2023 as submitted. Commissioner Myles Getto seconded the motion, which carried by unanimous vote.

New Business:

A- Consideration and possible action re: Adoption of Resolution 4-2024, a resolution authorizing an equity transfer of \$500,000.00 from the CC Communications Long Distance Enterprise Fund, \$3,000,000 from the Broadband Enterprise Fund, and \$5,600,000 from the Telephone Enterprise Fund to the CC Communications CAP Enterprise Fund and other matters related thereto.

Jamie Hyde, CC Communications. We are looking for a motion to approve the resolution. We waited until we had the audited figures to see what the due to due from was for the CAP, because there was so much movement in that account. Now we are asking the equity transfers to true up the rest.

Chairman Myles Getto asked if there was any public comment but there was none.

Commissioner Harry Scharmann made a motion to approve Resolution 4-2024, a resolution authorizing an equity transfer of \$500,000.00 from the CC Communications Long Distance Enterprise Fund, \$3,000,000 from the Broadband Enterprise Fund, and \$5,600,000 from the Telephone Enterprise Fund to the CC Communications CAP Enterprise Fund and other matters related thereto. Commissioner Myles Getto seconded the motion, which carried by unanimous vote.

B- Consideration and possible action re: authorization for CC Communications management to file a Notice of Intent to File Application for Adjustment in Rates Pursuant to NAC 703.

Mark Feest, CC Communications. The Nevada Universal Service Fund (NUSF), is similar to the Federal Universal Service Fund which we receive subsidies based upon our costs as a provider of last resort and national averages. If it's over 135%, you're eligible for recovery. Nevada has its own state fund for just local telephone service. It will look at your cost to provide local dial tone. We are a provider of last resort, meaning any reasonable request, we would have to provide telephone service. For example, we are about \$50,000.00 into a deployment for a geothermal plant that made a request for telephone service. They would pay us the same amount as somebody requesting telephone service on Keddie Street would pay us. It's because those rates are balanced across everyone. For the geothermal plant, we have to shoot down a radio signal for dial tone from the top of a mountain at Job's Peak. When we had 155 mph., winds on the top of that mountain, the antenna blew down. We had to purchase and put a new antenna back up at Job's Peak. About a month later, there was another windstorm that blew 155 mph up there. The storm moved the new antenna a few inches, which required a snow cat to go back up and fix the antenna. It goes on and on. That's why when you're a provider of last resort, you become eligible for recovery under Universal Service Funds. That is the reason we are providing plain old telephone service irrespective of actual costs to provide this service.

Historically, those obligations for provider of last resort, they are paid for by the rate payer who pays a reasonable rate. Inter-carrier Compensation is an amount of money that is passed between two local telephone companies. In our case, often times it's us and AT&T. Those go to zero, because the FCC says they want explicit charges in that regime. Federal Universal Services has been reduced for local dial tone. Currently, we have costs for being a provider of last resort that are not fully recovered by rate payers, Federal Universal Services or inter-carrier compensation. This theoretically makes us eligible to get Nevada Universal Service Funds. Currently, all but two eligible carriers collect NUSF. CC Communications and one other eligible carrier are not collecting NUSF. AT&T and Century Link are not eligible, but they pay into the system the same as we do. CC Communications customers along with all telephone customers in Nevada pay into the NUSF. CC Communications collects and remits those payments to the Public Utilities Commission of Nevada (PUCN).

In order to collect Nevada Universal Service Funds, it requires that we do a “rate case” before the Public Utilities Commission of Nevada. We are unique, as a county owned entity, we are not subject to rate regulations by the PUCN. We never change the rates because now the FCC is the one that dictates the rates. To start a rate case, you go into the PUCN and present all of your costs to provide local dial tone; what you charge your customers; what you receive in intercarrier compensation; and what you receive from Federal USF for local dial tone. Then there will be a delta between Federal USF and Intercarrier Compensation on what you charge the customer and what it actually costs to provide those services. That delta is where you can get the Nevada Universal Service Funds. The PUC has to agree that the rates you are charging are reasonable and they will get authority to tell you that you need to raise your rates. They may say before we pay you \$10 per customer because we think you’re \$10 short charging per customer, then you have to raise your rates by \$5 per customer and we will give you \$5 per customer. They want to ensure that you are not undercharging your customers and then making a revenue off of Universal Service. Presently, we do nothing of the sort with the PUC.

Commissioner, Myles Getto. That’s our opinion that we are not below the going rate. Who dictates that?

Mark Feest, CC Communications. I don’t think this is really going to be an issue. We will see if this gets approved to move forward. Currently, the FCC sets a rate floor, and we meet that rate floor. The FCC did it for that purpose because they felt they were paying out too much USF money. There were some companies when the rate floor was imposed, they were charging \$6 for dial tone and then collecting the difference from the FCC. Whatever our dial tone rate is, it’s exactly the number that the FCC says you have to charge at least that much.

A successful application for NUSF requires that “rate case” goes before the Public Utilities Commission of Nevada. During that “rate case”, they will establish reasonable costs and reasonable rates and again the delta between what we’re recovering in other places and that reasonable costs is what we would be eligible for.

I’m asking for approval to file a Notice of Intent. The notice must be filed by April 5, 2024.

Commissioner Harry Scharmann. Why are we filing a Notice of Intent?

Mark Feest, CC Communications. If we want to file an application to collect NUSF, we first must file a Notice of Intent by April 5th, stating we plan to do that. Their staff can then interact with our staff to see if there are any differences of opinions. When we file the Notice of Intent, they will then provide us a data request. They will want to know our financial information to determine what it costs to provide services on average in Churchill County. This only goes to Churchill County. They will also look at our expenses and could come back and say our cost to provide the service is inflated because this expense is too high. The process is started by filing the Notice of Intent.

It will cost approximately \$1,000.00 to file a Notice of Intent. If you approve the filing of the Notice of Intent, we will get a dialog started with the PUCN staff as soon as possible. We will not wait until April 5th to file it and upon approval we will be filing it within 10 days from now.

We want to determine if they foresee a problem with this “rate case” because we are owned by a county and not subject to the PUC. They will probably say there are some issues there.

Commissioner Harry Scharmann. Is that a problem?

Mark Feest, CC Communications. I am expecting they are going to say, since you’re not subject to us for rates, how can we do a “rate case”. We would then have to make some sort of decision where we enter into an agreement with them, that we will subject ourselves to regulation for five years, if we can do a “rate case”. To get the dialog started, we have to file a Notice of Intent. Chief Civil Deputy District Attorney, Joseph Sanford was also on the telephone call with me with the accounting consultants on how this will all flow.

After we file the Notice, we will engage Cooper White, which is a Law Firm out of Sacramento. Patrick Rosvall is a partner at that law firm and would be the attorney writing up the Notice of Intent. He has handled every single “rate case” in the state of Nevada for at least a decade. He has had 100% success in collecting Universal Service Funds when applied for.

The PUCN staff will normally respond with a data request to us. We may see an objection regarding CC Communications’ ability to recover NUSF. Our attorney, Joe and together with Cooper Whites’ attorney, Patrick Rosvall will need to address that legal question if it arises. The most likely scenario is that they would say we need to enter into a consent agreement that we will be subject to PUC to the extent necessary to collect NUSF.

I do not think because we meet the FCC’s floor rate that they will drive up our rate higher. The other company’s rates are not being driven higher. In the event they tell us the rate is too low, we have two options; one is to raise the rate and the second is to just eat it. If they say we are \$10 per customer short on recovery, but they think our price should be \$2 higher, we can get \$8 from them and eat the \$2. As opposed to being mandated to raise the rate \$2. They will say we will not give you the whole \$10 because you should be charging \$2 more. If you choose not to charge that \$2, then you’re just out the \$2.

We would need to determine what additional oversight the PUCN staff envisions, if CC Communications submits to jurisdiction for NUSF. If the PUCN staff has concerns with the respect to legal ability to recover from the fund, Chief Civil Deputy District Attorney Joe Sanford, Cost Accountants, Moss Adams, Cooper White and CC Communications Management will discuss potential next steps and return to the board. Once a Notice of Intent is filed and a date of request is provided, we will work towards estimating costs based upon scope of requirements of the PUCN. We will return to the board with the estimated costs and projected 5-year return if successful.

The way the “rate case” works is you do the calculation and tell them you’re eligible for NUSF. I have been told by the nine other companies who have collected, that after you tell them you’re eligible, they will come back and say you’re wrong. Then you will enter a period where you negotiate and hopefully come to an agreement on what you’re eligible for. Once you’re eligible for it, you don’t do anything again for 5 years. This will run calendar year from January 1, 2025, through December 31, 2030. Coming into the 5th year you will have to do another “rate case” if

you feel you're going to continue to be eligible for NUSF.

I am asking for approval to file the Notice of Intent and after we then start collecting information and have a dialog back and forth with the PUCN staff, we will return to the board for permission to move forward or notification that things didn't work out as expected. If we can move forward, we will ask for approval to move forward with the 2nd phase, which is, file an application for adjustment of rates. That must be filed by June 5, 2024. On May 16, 2024, we have to have a required sit down with staff. We will not get to the sit down, unless we come back to the board and advised this looks promising. You have to file an application for an adjustment in rates which includes being eligible for NUSF. During that time, we have to establish our local network costs to serve as a provider of last resort. We will have to establish our revenue requirements, reasonable rates and other revenue sources. We will have to establish the difference between all of that revenue and what our revenue requirement is. That delta is that NUSF. For example, if our revenue requirement was \$100 and the total reasonable rates was \$25, the FUSF intercarrier compensation is \$50 totaling \$75, then \$25 would be available in NUSF. Between filing the Application, which is June 5, 2024, and October 2024, you will be working with the PUCN staff to agree on all of those numbers. If you fail to agree on those numbers, it will result in a hearing. According to Moss Adams and Cooper White, they are 100% it will not go to a hearing.

Today we are simply requesting a motion to authorize the filing of a Notice of Intent. This goes with the understanding that there will be internal time on our part and then filing costs are estimated to be around \$1,000 but not to exceed \$5,000 for external costs for Moss Adams and Cooper White. Thereafter, management will return to the Board once scope is better to find with PUCN staff to determine if we want to go forward with the actual fund.

Chairman Myles Getto asked if there was any public comment but there was none.

Commissioner Harry Scharmann made a motion to authorize CC Communications Management to file a Notice of Intent to File Application for Adjustment in Rates pursuant to NAC 703. Commissioner Myles Getto seconded the motion, which carried by unanimous vote.

C- Consideration and possible action re: motion to accept the bid of NNE Construction, Inc., for construction of telecommunication facilities in Spring Creek Nevada and to ratify the Agreement for Telecommunication Facilities Installation as presented.

Mark Feest, CC Communications. The Spring Creek grant sometimes gets new things thrown upon us or indication that something wasn't completed. When we put together the entire bid proposal, we used NNE as our contractor and NNE's pricing. This was all built into the grant. The grant was approved. Then at the last minute before we were ready to get started and the environmental were completed, they then said we had to put this out to bid for construction. We put it out to bid for construction and had one respondent which was NNE. We were fortunate that they didn't change any numbers, because it took so long to get to that point that we had inflation. When we received the bid, it did not change anything that previously had been approved. My fault, I didn't bring it back to the board.

We are going through a desk audit with NTIA and one of things they asked for was our board's approval of the bidder. We went back and checked our files and realized I must have missed

that. All of the prices they used for the bid were previously approved by this board, but the actual bid was not. They have asked us to come to this meeting to have the motion approved as stated to accept the bid from NNE. Chief Civil Deputy District Attorney, Joseph Sanford wrote this motion and all of the bid paperwork for construction of telecommunications facilities in Spring Creek, Nevada and to ratify the agreement for telecommunications facilities installation as presented. That information is all in this agenda packet.

Chairman Myles Getto asked if there was any public comment but there was none.

Commissioner Harry Scharmann made a motion to accept the bid of NNE Construction, Inc., for construction of telecommunication facilities in Spring Creek Nevada and to ratify the Agreement for Telecommunication Facilities Installation as presented. Commissioner Myles Getto seconded the motion, which carried by unanimous vote.

Reports: General Manager Report:

1. Switch Upgrade
 - a. February/March Installation
 - b. March /April migration
 - c. Installation and migration to Telco Bridges
2. Transport Upgrade Phase I & II
 - a. Phase 1 (route between Fallon, TRIC, and Reno) February
 - b. Phase 2 (route from North to South) March/April
 - i. Coordinating Fibers
 - ii. Coordinating temporary space and power in POPS
3. 2024-2025 Budget
 - a. CAP
 - i. Elko
 - ii. 4 Tribe Grants
 - iii. SCA Grant construction
 - iv. Storey County
 - b. TEL/Broadband
 - i. Fallon ISP upgrades
 - ii. Fallon Apartments
 - iii. Fallon FTTH
 - c. Created timeline based upon schedule provided by Comptroller
4. Grants
 - a. SCA
 - i. Desk Audit February 13, 2024
 1. Jamie's group has primarily been responsible for providing data to NTIA and Elko County
 2. In review with NTIA
 3. Day of "desk audit" will be final day to resolve outstanding issues prior to "desk audit" completion.

- ii. Weather including snow, freeze, and now mud has halted construction. We must quantify all delays such as NTIA start date, environmental and historical preservation, and weather.
 - iii. Take rate in the delayed SCA area continue to be below projections
 - b. Tribal
 - i. 1/31/24 – ITCN/NTIA/Provider conference call regarding ongoing environmental review (Te-Moak and YPT).
 - ii. ITCN/Provider construction agreement has been reviewed and commented on by Deputy DA
 - iii. WRPT is in environmental review (not an ITCN project)
 - iv. FPST remains in negotiation for agreements
4. Storey County FTTH
- a. Draft contract between Storey and Churchill County
 - b. Draft contract between Comstock and Storey County for obtaining pole rights/obligations held by Comstock
 - c. Last mile construction quote
 - i. Need materials quote
 - ii. As with grant projects and internally funded FTTH, prices have increased for both materials and construction since these projects were originally estimated.
 - 1. As you may recall, I provided articles on two large telecommunications companies that have had to significantly reduce their FTTH plans after exhausting Capex funding at around 60% of their builds due to inflation.
 - d. Middle mile construction and material quote
 - e. Once we have agreement from the other parties on 4a and 4b, as well as final 4c(i), this should come before the Churchill County Commission.
5. NOC + Services
- a. We have received a proposal and explanation for NOC + services from JSI
 - b. Reviewing references
 - c. Expectation is that we will enter an agreement for NOC + services
 - i. 24x7 Network Monitoring, Alarming, Management, and Incident Response
 - ii. Tier II and Tier III escalation
 - iii. Server Application Redundancy
 - iv. Primary point of contact for all tickets (between our trouble desk and ISP engineering team)

Affidavit of Posting:


Public Comment:

Chairman Myles Getto asked if there was any public comment but there was none.

Adjournment:

The meeting was adjourned at 2:28 p.m.

APPROVED: 
Myles Getto, Chairman

APPROVED: 
Harry Scharmann, Vice, Chairman

APPROVED: 
Justin Heath, Commissioner


Shelly Bunyard, Administrative Assistant


Mark Feest, General Manager/CEO